

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name City of Ionia Dial-A-Ride	County Ionia
Audit Date 6/30/05	Opinion Date 9/22/05	Date Accountant Report Submitted to State: 11/15/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			
Street Address 3511 Coolidge Rd, Suite 100	City East Lansing	State MI	ZIP 48823
Accountant Signature <i>Abraham & Gaffney, P.C. Aaron M. Jones</i>		Date	

**City of Ionia
Dial-A-Ride Transit Fund
FINANCIAL STATEMENTS
June 30, 2005**

City of Ionia
DIAL-A-RIDE TRANSIT FUND

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ABRAHAM & GAFFNEY, P.C.

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Ionia
Ionia, Michigan

We have audited the accompanying financial statements of the Dial-A-Ride Transit Fund of the City of Ionia, Michigan, as of and for the years ended June 30, 2005 and 2004, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Dial-A-Ride Transit Fund and do not purport to, and do not, present fairly the financial position of the City of Ionia, Michigan, as of June 30, 2005 and 2004, and the results of its operations, and cash flows of its proprietary fund types for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dial-A-Ride Transit Fund of the City of Ionia, Michigan, as of June 30, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2005, on our consideration of the City of Ionia's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis on pages iii through ix is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Dial-A-Ride Transit Fund of the City of Ionia, Michigan, financial statements. The accompanying additional information listed in the Table of Contents under Other Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Dial-A-Ride Transit Fund of the City of Ionia, Michigan. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the Dial-A-Ride Transit Fund of the City of Ionia, Michigan, financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

September 22, 2005

CITY OF IONIA DIAL-A-RIDE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The intent of the management discussion and analysis is to provide highlights of the Agency's financial activities for the Fiscal Year ended June 30, 2005. Readers are encouraged to read this section in conjunction with the transmittal letter and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- ❖ **Assets** – The assets of the Dial-A-Ride did exceed its liabilities by \$ 1,169,333 (net assets). Of this amount, \$131,180 (unrestricted net assets) may be used to meet the Dial-A-Ride's ongoing obligations to citizens and creditors. The total net assets did decrease by \$90,931. The decrease was primarily from depreciation on capital assets as well as a restatement of the amount that is due from the State for prior years. The State reconciles payments to transit authorities annually and adjusts payments to municipalities based on that increase or decrease. In past years that amount has not been credited to the receivable on the Balance Sheet. The receivable balance currently shows the amount owing for Job Access.
- ❖ **Unreserved Fund Balance:** At the end of the current fiscal year, unreserved fund balance for Dial-A-Ride was \$131,180 or 17.2% of total operating expenses. This is down from \$166,422 or 22.3% of last year's operating expenses. This reduction can be attributed to the prior period adjustment that reduced the unrestricted Fund Balance by \$31,935.
- ❖ **Ridership:** Demand response revenue (fare box) decreased slightly this year by \$1,440, while contractual demand response service earned \$14,605 more. The miles traveled, 143,300, were 12,480 miles less than the preceding year. Upon analyzing this information it was identified that miles traveled were less than last year due to streamlined demand response service with computerized dispatch efficiencies. It was also noted that a 1% decrease in ridership impacted the fare box revenues for the fiscal year ending 2005.
- ❖ **Federal & State Funding Projects**
Capital Projects: The Ionia Dial-A-Ride is eligible for grants through the Michigan Department of Transportation and the U.S. Department of Transportation. During the fiscal year ending June 30, 2005, Dial-A-Ride secured funding for an addition to its communication system which included a 320 ft. tower. The total cost of this project was \$373,797. Ongoing building renovations, with a total cost of \$296,960, were started prior to June 30, 2005.

Job Access Project: Dial-A-Ride secured Federal and State grants for the Jobs Access and Reverse Commute program starting in 2001. Ionia Dial-A-Ride and Belding Dial-A-Ride work together to offer job related transportation services between the City of Belding and the City of Ionia. The grant award total for running this program for the fiscal year which ended June 30, 2005 was \$62,046.
- ❖ **Investment Income:** Due to the higher interest rates the interest revenue was \$5,207 compared to \$1,466 from the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report includes this management discussion and analysis report, the independent auditor's report and the basic financial statement of the Dial-A-Ride, which include notes that explain in more detail some of the information in the financial statements.

As a municipal transportation authority, Ionia Area Dial-A-Ride engages in primarily enterprise operations in various separate and distinct activities. These activities include: 1) demand service for transporting commuters; 2) contracted tripper service for school routes in the Ionia Public School District; and, 3) inter-county service for state funded programs.

CITY OF IONIA DIAL-A-RIDE

MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUIRED FINANCIAL STATEMENTS

The financial statements report information of the Dial-A-Ride (DAR) using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Assets includes all of the DAR's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to DAR creditors (liabilities). It also provides the basis for evaluating the capital structure of the DAR and assessing the liquidity and financial flexibility of the DAR.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the DAR's operations over the past year and can be used to determine whether the DAR has successfully recovered all of its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DAR

The Statement of Net Assets and the Statement of Activities provide the information to determine how the DAR did financially during FY 04-05. The net assets, or the difference between assets and liabilities, and the changes in them can indicate whether financial health is improving or deteriorating over time. However, other non-financial factors such as changes in economic conditions, service area and new or changed government legislation also need to be considered in determining the DAR's financial health.

NET ASSETS

The DAR's Statement of Net Assets is presented in the following Tables. A comparative analysis of data is presented to the fiscal year of 2003-2004.

TABLE 1
Condensed Statement of Net Assets

	<u>6/30/2005</u>	<u>6/30/2004</u>
Current and Other Assets	\$ 233,952	\$ 262,791
Capital Assets	<u>1,038,153</u>	<u>1,093,842</u>
Total Assets	1,272,105	1,356,633
Current Liabilities	42,900	49,208
Other Liabilities	<u>59,872</u>	<u>47,161</u>
Total Liabilities	<u>102,772</u>	<u>96,369</u>
Invested in Capital Assets		
Net of Related debt	1,038,153	1,093,842
- Unrestricted	<u>131,180</u>	<u>166,422</u>
Total Net Assets	<u>\$ 1,169,333</u>	<u>\$ 1,260,264</u>

CITY OF IONIA DIAL-A-RIDE

MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 2
CONDENSED STATEMENTS OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS

	2004-2005	2003-2004
Operating Revenues	\$ 110,362	\$ 97,197
Non-operating Revenues	<u>467,639</u>	<u>446,690</u>
Total Revenues	578,001	543,887
Depreciation Expense	161,765	167,912
Other Operating Expense	<u>599,020</u>	<u>877,853</u>
Total Expenses	<u>760,785</u>	<u>745,765</u>
Income (Loss) Before Capital Contributions	(182,784)	(201,878)
Capital Contributions	<u>123,788</u>	<u>524,603</u>
Changes in Net Assets	(58,996)	322,725
Beginning Net Assets	1,260,264	937,539
Prior period adjustment	<u>(31,935)</u>	<u>-</u>
Ending Net Assets	<u>\$ 1,169,333</u>	<u>\$ 1,260,264</u>

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Assets shows that the operations actually had a loss before capital contributions. Depreciation expense of \$161,765 is a non-cash expense, which represents the reduction in the value of the facility and buses. Due to the nature of the Dial-A-Ride's capital improvement plan, this cost is not considered in the budget process because of the capital grants available through State and Federal funding (see Table 3).

The DAR's operating revenues were more than last year. Operating Expenses were also more by \$15,020 from the previous year due in part to increased fuel and heating costs and from the Commission on Aging pass through grant.

BUDGETARY HIGHLIGHTS

The Dial-A-Ride is an enterprise fund of the City of Ionia and is therefore not required to adopt an annual budget. However, the City Council does adopt an annual Operating Budget and a five-year Capital Plan for the Dial-A-Ride following a public hearing. The Operating Budget includes proposed expenses and the means of financing them. The DAR's operating budget remains in effect and can be revised with City Council approval prior to the fiscal year end.

CITY OF IONIA DIAL-A-RIDE

MANAGEMENT'S DISCUSSION AND ANALYSIS

A FY 04-05 budget comparison and analysis is presented in TABLE 3.

TABLE 3
BUDGET vs. ACTUAL

	<u>BUDGETED</u>			Variance
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	Favorable (Unfavorable)
OPERATING REVENUE				
Sales and charges for services	\$ 120,000	\$ 117,042	\$ 110,362	\$ (6,680)
OPERATING EXPENSES				
Salaries and wages	270,025	270,108	268,043	2,065
Fringe Benefits	120,000	119,046	119,032	14
Contractual service	341,649	339,186	140,426	198,760
Supplies	35,600	44,929	39,037	5,892
Utilities	13,400	13,440	12,530	910
Insurance	13,800	11,800	11,553	247
Transportation & training	5,000	4,500	3,673	827
Advertising	4,000	3,665	3,469	196
Other	2,000	1,600	1,257	343
Depreciation	4,000	1,200	161,765	(160,565)
TOTAL OPERATING EXPENSES	809,474	809,474	760,785	48,689
OPERATING LOSS	(689,474)	(692,432)	(650,423)	42,009
NONOPERATING REVENUES				
Taxes	57,000	67,356	67,356	-0-
Intergovernmental:				
Federal	271,709	285,414	212,667	(72,747)
State	326,265	310,955	282,697	(28,258)
Local	22,500	22,500	22,500	-0-
Interest earnings	3,500	5,207	5,207	-0-
Sale of Equipment	8,500	-	-	-0-
Other Revenues	-	1,000	1,000	-0-
TOTAL NONOPERATING REVENUES	689,474	692,432	591,427	(101,005)
NET INCOME (LOSS)	\$ -0-	\$ -0-	\$ (58,996)	\$ (58,996)

CITY OF IONIA DIAL-A-RIDE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Contractual services variance shows that capital improvement projects were completed and recorded as assets on the balance sheet instead of as an expense. The costs are budgeted and maintained on the Revenue and Expenditure report but in reality are capital items that ultimately are moved to the Balance Sheet. The variances on the State and Federal revenues are also related to the capital projects. The facility addition and the communication tower were continued from the prior year to this fiscal year and a small portion will extend into the June 30, 2006 fiscal year. The total capital project was shown on the budget, but the actual costs and corresponding revenues were less for this time period.

CAPITAL ASSETS

The acquisition of new buses and most other facility improvements are funded by Federal sources (80%) and State match from the Michigan Department of Transportation (20%). This allows for the DAR to maintain its fleet at an average life of 5 (five) years. This funding source also allows for the DAR to use all of its operating revenues on daily services and not tie up those incomes with debt payments for equipment or the facility. There were no bus purchases during the FY 04-05 year. However, the building expansion project that was started before June 30, 2003 continues to allow for improvements to the facility. This was also funded through Federal/State capital projects revenue. Although there was \$106,076 in new capital assets the net increase was less. The difference in structures, vehicles, and equipment is reflective of recognizing plant asset disposals for obsolete equipment and depreciation expense.

TABLE 4
CAPITAL ASSETS

	<u>6/30/2005</u>	<u>6/30/2004</u>
Land	\$ 25,000	\$ 25,000
Buildings	1,054,353	992,946
Office Equipment	309,413	264,744
Vehicles	<u>739,768</u>	<u>739,768</u>
Sub-total	2,128,534	2,022,458
Less: Accumulated Depreciation	<u>(1,090,381)</u>	<u>(928,616)</u>
Net Property and Equipment	<u>\$ 1,038,153</u>	<u>\$ 1,093,842</u>

The DAR's five-year Capital Plan includes bus acquisition. A Federal grant has been approved to continue upgrades to the communication system that DAR uses within the county. This grant will be disbursed over a 4 year period. The Federal earmark for this project is \$493,240.

DEBT ADMINISTRATION

The DAR carries no long-term debt as any improvements to the fleet or facilities have all been secured by State or Federal grant projects. This allows the DAR to avoid any debt other than current liabilities in the normal operation of the system. The DAR does levy .75 mills in the City to generate property tax revenue which is used in the operation of the system. The taxes collected are not obligated to any bond payments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In setting the fiscal year budget for 2005-2006, many factors are considered by the DAR and the City Council. Many of the funds that subsidize the transportation operation are appropriated by both State and Federal legislation. These funds have remained consistent, however, fluctuations in future funding levels may be contributed to economic conditions at local, State, and the Federal levels. During the FY 05-06 Federal and State funds have been earmarked for the purchase of 3 replacement vehicles. Total grant will be \$151,800.

CITY OF IONIA DIAL-A-RIDE MANAGEMENT'S DISCUSSION AND ANALYSIS

Approximately 18-20% of the operating revenue is collected through the fare box. Service standards are evaluated constantly to make sure they match the commuters' needs. Fares have been increased or routes discontinued when it is necessary or when the effectiveness is not being maximized. The DAR eliminated Saturday service and increased fares beginning October 1, 2005.

TABLE 5
FARES HISTORY

	<u>Regular</u>	<u>Student</u>	<u>Senior/Disabled</u>
07/01/97 - 06/30/03	\$1.50	\$ 1.00	\$ 0.75
07/01/03 - 09/30/05	2.00	1.25	1.00
10/01/05 - Current	2.50	1.75	1.25

Based on high fuel costs, there will likely be some fluctuations in the level of services provided and the associated fares for these services.

CONTACT INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of the DAR's finances and to demonstrate the DAR's accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact the City Finance Director or Director of Public Transportation, Ionia Area Dial-A-Ride, P.O. Box 496, Ionia, MI 48846, or phone (616) 527-5794 or by email at dirdialaride@city.ionia.mi.us.

FINANCIAL STATEMENTS

City of Ionia
DIAL-A-RIDE TRANSIT FUND

STATEMENTS OF NET ASSETS

June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 198,539	\$ 215,845
Accounts receivable	6,233	124
Taxes receivable	5,448	5,702
Due from other governmental units - State	22,304	40,664
Prepaid expenses	<u>1,428</u>	<u>456</u>
Total current assets	233,952	262,791
Noncurrent assets		
Capital assets, net of accumulated depreciation	<u>1,038,153</u>	<u>1,093,842</u>
TOTAL ASSETS	1,272,105	1,356,633
LIABILITIES		
Current liabilities		
Accounts payable	14,334	20,875
Accrued liabilities	6,045	5,036
Deferred revenue	7,323	7,577
Current portion of accrued sick and vacation pay	<u>15,198</u>	<u>15,720</u>
Total current liabilities	42,900	49,208
Noncurrent liabilities		
Accrued sick and vacation pay	45,596	47,161
Advance from State	<u>14,276</u>	<u>-</u>
Total noncurrent liabilities	<u>59,872</u>	<u>47,161</u>
TOTAL LIABILITIES	<u>102,772</u>	<u>96,369</u>
NET ASSETS		
Invested in capital, net of related debt	1,038,153	1,093,842
Unrestricted	<u>131,180</u>	<u>166,422</u>
TOTAL NET ASSETS	<u>\$ 1,169,333</u>	<u>\$ 1,260,264</u>

See accompanying notes to financial statements.

City of Ionia
DIAL-A-RIDE TRANSIT FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS

Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES		
Sales and charges for services	\$ 110,362	\$ 97,197
OPERATING EXPENSES		
Administrative	85,721	89,240
Operations	434,756	415,957
Maintenance	40,778	52,748
Depreciation	161,765	167,913
State grants	<u>37,765</u>	<u>19,907</u>
TOTAL OPERATING EXPENSES	<u>760,785</u>	<u>745,765</u>
OPERATING LOSS	(650,423)	(648,568)
NONOPERATING REVENUES		
Taxes	67,356	63,833
Intergovernmental		
Federal sources	212,667	505,976
State sources	282,697	376,492
Local sources	22,500	21,524
Interest earnings	5,207	1,466
Gain on sale of equipment	-	2,002
Other revenues	<u>1,000</u>	<u>-</u>
TOTAL NONOPERATING REVENUES	<u>591,427</u>	<u>971,293</u>
CHANGE IN NET ASSETS	(58,996)	322,725
Net assets, beginning of year	1,260,264	937,539
Prior period adjustment	<u>(31,935)</u>	<u>-</u>
Net assets, end of year	<u><u>\$1,169,333</u></u>	<u><u>\$1,260,264</u></u>

See accompanying notes to financial statements.

City of Ionia
DIAL-A-RIDE TRANSIT FUND

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 103,999	\$ 96,614
Payments to suppliers	(337,481)	(312,266)
Payments to employees	(270,130)	(267,982)
NET CASH USED BY OPERATING ACTIVITIES	(503,612)	(483,634)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes	67,610	64,618
Intergovernmental sources	394,777	387,357
Contributions	1,000	-
NET CASH PROVIDED BY NONCAPITAL ACTIVITIES	463,387	451,975
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital purchases	(106,076)	(524,604)
Proceeds from sale of equipment	-	2,002
Capital grants	123,788	524,604
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	17,712	2,002
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	5,207	1,466
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING YEAR	(17,306)	(28,191)
Cash and cash equivalents, beginning of year	215,845	244,036
Cash and cash equivalents, end of year	<u>\$ 198,539</u>	<u>\$ 215,845</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (650,423)	\$ (648,568)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	161,765	167,913
(Increase) in accounts receivable	(6,109)	(124)
(Increase) in prepaid expenses	(972)	(107)
Increase (decrease) in accounts payable	(6,541)	2,887
(Decrease) in accrued liabilities	(1,078)	(4,981)
(Decrease) in deferred revenue	(254)	(459)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (503,612)</u>	<u>\$ (483,439)</u>

See accompanying notes to financial statements.

City of Ionia
DIAL-A-RIDE TRANSIT FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ionia Dial-A-Ride (DAR) was established to provide public transportation services to residents of the City of Ionia. The DAR also had a contract with the Ionia Area Transportation Authority (IATA) to provide public transportation services for residents of other municipalities located within Ionia County through September 30, 2004. The DAR administered grants and received other funding on behalf of the Authority through that date. The Authority ceased to exist after September 30, 2004, and its contract authorizations with the Michigan Department of Transportation were novated, replacing the authorization provided to the Authority with an authorization provided to the City.

The DAR operation is funded primarily with Federal and State operating and capital grants along with user charges.

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Dial-A-Ride Transit Fund. The DAR is considered a fund of the City of Ionia. As a result, industry standards require the City to include the financial activities of the DAR in the City's Annual Financial Report. The Annual Financial Report of the City of Ionia is available for public inspection at the Ionia City Hall.

2. Basis of Presentation

The accounts of the DAR are organized on the basis of a fund which is considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. DAR resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the financial statements in this report is described as follows:

PROPRIETARY FUND

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The DAR, as a fund of the City of Ionia, applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The DAR, as a fund of the City of Ionia, has elected not to follow FASB pronouncements issued after November 30, 1989 to its business-type activities and enterprise fund.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Fund equity (i.e., total net assets) is segregated into invested in capital (net of related debt) and unrestricted components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

City of Ionia
DIAL-A-RIDE TRANSIT FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred, regardless of the timing of related cash flows.

5. Budgets and Budgetary Accounting

The DAR, as a fund of the City of Ionia, employs the same budgeting procedures as the City of Ionia, which is described in Note A within the City's Annual Financial Report.

6. Cash and Cash Equivalents

Cash equivalents consist of the DAR portion of the City of Ionia's pooled cash accounts. These pooled accounts consist of various checking, savings, certificates of deposit, and investment trust funds.

7. Capital Assets and Long-Term Liabilities

Capital assets, which include buildings, vehicles, and equipment, are capitalized at total acquisition cost, provided such cost exceeds \$1,000 and the expected useful life of the asset is more than one year. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are:

Buildings	30 years
Vehicles	5 years
Furniture and Equipment	3 - 7 years

Long-term liabilities are recognized in the basic financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

8. Accrued Vacation and Sick Leave

DAR employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount has been recorded as a current and long-term liability in the Proprietary Fund.

9. Cost Allocations

The DAR allocated expenses between various program activities (i.e., City, Authority) for grant reporting purposes. The allocations were prepared based on a cost allocation plan and methodology that has been approved by the grantor agency (i.e., vehicle hours per program activity).

City of Ionia
DIAL-A-RIDE TRANSIT FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

10. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the financial position, operations, and cash flows. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the DAR is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the DAR's deposits may not be returned to it. A portion of the cash and cash equivalents of the DAR are covered by Federal deposit insurance along with other deposits of the City of Ionia, limited to \$100,000 in total deposits for each bank customer. Since the City maintains these funds in pooled accounts it is not practical to determine what portion of the DAR funds are insured.

City of Ionia
DIAL-A-RIDE TRANSIT FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

The DAR, as a fund of the City of Ionia, is subject to the investment policy of the City as described in the note captioned "Cash, Cash Equivalents, and Investments" within the City's Annual Financial Report.

NOTE C: CAPITAL ASSETS

Proprietary Fund capital asset activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depreciated				
Buildings	992,946	61,407	-	1,054,353
Vehicles	739,768	-	-	739,768
Furniture and equipment	<u>264,744</u>	<u>44,669</u>	<u>-</u>	<u>309,413</u>
Total capital assets being depreciated	1,997,458	106,076	-0-	2,103,534
Less accumulated depreciation for:				
Buildings	(296,355)	(33,777)	-	(330,132)
Vehicles	(483,671)	(104,958)	-	(588,629)
Furniture and equipment	<u>(148,590)</u>	<u>(23,030)</u>	<u>-</u>	<u>(171,620)</u>
Total accumulated depreciation	<u>(928,616)</u>	<u>(161,765)</u>	<u>-0-</u>	<u>(1,090,381)</u>
Net capital assets being depreciated	<u>1,068,842</u>	<u>(55,689)</u>	<u>-0-</u>	<u>1,013,153</u>
Capital assets, net	<u>\$ 1,093,842</u>	<u>\$ (55,689)</u>	<u>\$ -0-</u>	<u>\$ 1,038,153</u>

A summary of Proprietary Fund capital assets by funding source at June 30, 2005, follows:

	Purchased with DAR Local Operating Funds	Purchased with Funds Contributed by City of Ionia	Purchased with Capital Grants	Total
Land	\$ -	\$ 25,000	\$ -	\$ 25,000
Buildings	41,254	-	1,013,098	1,054,352
Vehicles	4,077	-	735,691	739,768
Furniture and equipment	<u>12,800</u>	<u>-</u>	<u>296,614</u>	<u>309,414</u>
Total	58,131	25,000	2,045,403	2,128,534
Less: accumulated depreciation	<u>(34,298)</u>	<u>-</u>	<u>(1,056,083)</u>	<u>(1,090,381)</u>
Capital assets, net	<u>\$ 23,833</u>	<u>\$ 25,000</u>	<u>\$ 989,320</u>	<u>\$ 1,038,153</u>

City of Ionia
DIAL-A-RIDE TRANSIT FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE C: CAPITAL ASSETS - CONTINUED

When Federal or State funded assets are withdrawn from public transportation service, the disposition of the assets is to be approved by the Michigan Department of Transportation (MDOT). During the year, the DAR did not dispose of any Federal or State funded assets.

NOTE D: RETIREMENT PLAN

All full-time employees of the DAR are eligible and participate in the City of Ionia retirement plan. The required disclosures are included in the note captioned "Retirement Plan" within the City's Annual Financial Report.

NOTE E: RISK MANAGEMENT

The DAR, as a fund of the City of Ionia, is protected from losses as described in the note captioned "Risk Management" within the City's Annual Financial Report.



OTHER SUPPLEMENTARY INFORMATION

City of Ionia
DIAL-A-RIDE TRANSIT FUND

SCHEDULE OF OPERATING REVENUES

Year Ended June 30, 2005

	<u>7/1/04 to 9/30/04</u>	<u>10/1/04 to 6/30/05</u>	<u>Total</u>
Operating revenues			
Demand response (farebox)	\$ 13,775	\$ 46,499	\$ 60,274
School services (farebox)	<u>5,213</u>	<u>44,875</u>	<u>50,088</u>
	<u>\$ 18,988</u>	<u>\$ 91,374</u>	<u>\$ 110,362</u>

City of Ionia
DIAL-A-RIDE TRANSIT FUND

SCHEDULE OF OPERATING EXPENSES

Year Ended June 30, 2005

	<u>Operations</u>	<u>Maintenance</u>	<u>Administrative</u>	<u>Total System</u>
Labor				
Operator's salaries and wages	\$ 207,981	\$ -	\$ -	\$ 207,981
Other salaries and wages	27	10,583	14,138	24,748
Dispatchers' salaries and wages	31,293	1,201	2,820	35,314
Payroll taxes and fringe benefits	110,714	3,569	4,749	119,032
Professional services	37,000	21,321	43,699	102,020
Materials and supplies consumed				
Operation and maintenance	31,889	2,299	-	34,188
Office supplies	1,025	1,805	2,019	4,849
Utilities	-	-	12,530	12,530
Insurance	10,898	-	655	11,553
Miscellaneous expenses				
Advertising and promotion	-	-	4,110	4,110
Other miscellaneous	256	-	1,001	1,257
COA grant	-	-	37,765	37,765
Training	3,673	-	-	3,673
Depreciation	-	-	161,765	161,765
TOTAL OPERATING EXPENSES	<u><u>\$ 434,756</u></u>	<u><u>\$ 40,778</u></u>	<u><u>\$ 285,251</u></u>	<u><u>\$ 760,785</u></u>

City of Ionia
DIAL-A-RIDE TRANSIT FUND

SCHEDULE OF NONOPERATING REVENUES - LOCAL

Year Ended June 30, 2005

	<u>7/1/04 to 9/30/04</u>	<u>10/1/04 to 6/30/05</u>	<u>Total</u>
Local operating grant - tax levy	\$ 57,596	\$ 9,760	\$ 67,356
Township participation	5,625	16,875	22,500
Interest income	917	4,290	5,207
Contribution	<u>-</u>	<u>1,000</u>	<u>1,000</u>
TOTAL NONOPERATING REVENUES - LOCAL	<u>\$ 64,138</u>	<u>\$ 31,925</u>	<u>\$ 96,063</u>

City of Ionia
DIAL-A-RIDE TRANSIT FUND

SCHEDULE OF NONOPERATING REVENUES - STATE AND FEDERAL

Year Ended June 30, 2005

State of Michigan Operating Grants	
Local Bus Operating Assistance (Act 51)	\$ 193,145
Ionia County Commission on Aging	18,620
Job Access - Service expansion	31,023
Ionia Area Transit Authority (Act 51)	<u>18,980</u>
Total State of Michigan Operating Grants	261,768
State of Michigan Capital Grants	
Section 5309	20,929
Federal Operating Grants	
Rural Transit Authority Program	3,000
Job Access - Service expansion	31,023
U.S. Department of Transportation - Section 5311	<u>75,785</u>
Total Federal Operating Grants	109,808
Federal Capital Grants	
U.S. Department of Transportation - Section 5309	83,714
U.S. Department of Transportation - Section 5310	<u>19,145</u>
Total Federal Capital Grants	<u>102,859</u>
TOTAL NONOPERATING REVENUES - STATE AND FEDERAL	<u><u>\$ 495,364</u></u>

City of Ionia
DIAL-A-RIDE TRANSIT FUND

SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS

Year Ended June 30, 2005

	IATA ⁽¹⁾ Operations	City Operations	Report Totals
Labor	\$ 19,023	\$ 233,133	\$ 252,156
Fringe benefits	10,035	108,997	119,032
Professional services	5,229	56,551	61,780
Audit costs	-	2,200	2,200
Materials and supplies	2,157	28,761	30,918
Utilities	756	11,774	12,530
Insurance	-	11,553	11,553
Travel and meetings	125	3,548	3,673
Miscellaneous	38	5,329	5,367
COA grants	-	37,765	37,765
Depreciation	-	161,765	161,765
	<hr/>	<hr/>	<hr/>
Total	37,363	661,376	698,739
Less ineligible expenses	<hr/> -	<hr/> (201,666)	<hr/> (201,666)
NET ELIGIBLE	<hr/> <u>\$ 37,363</u>	<hr/> <u>\$ 459,710</u>	<hr/> <u>\$ 497,073</u>
Breakdown by period			
7/1/04 through 9/30/04	\$ 37,363	\$ 70,220	\$ 107,583
10/1/04 through 6/30/05	<hr/> -	<hr/> 389,490	<hr/> 389,490
	<hr/> <u>\$ 37,363</u>	<hr/> <u>\$ 459,710</u>	<hr/> <u>\$ 497,073</u>

⁽¹⁾ The City had a third-party contract with the Michigan Department of Transportation to provide services on behalf of the Ionia County Transit Authority (IATA). A percentage of total Dial-A-Ride expenses has been allocated to this program and is reimbursed separately. These expenses are not included in the regular formula for reimbursement. Also, the expenses related to the Job Access grants are accounted for, reported and reimbursed separately.

City of Ionia
DIAL-A-RIDE TRANSIT FUND

NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Year Ended June 30, 2005

	Federal Section 5311			
	City		Authority	
	2002-0050/Z9	2002-0050/Z11	2002-0051/Z6	
	7/1/04 to 9/30/04	10/1/04 to 6/30/05	7/1/04 to 9/30/04	10/1/04 to 6/30/05
Expenses				
Labor	\$ 35,326	\$ 197,807	\$ 19,023	\$ -
Fringe benefits	18,636	90,361	10,035	-
Professional services	9,711	46,840	5,229	-
Audit costs	-	2,200	-	-
Materials and supplies	4,006	24,755	2,157	-
Utilities	1,404	10,370	756	-
Insurance	-	11,553	-	-
Travel and meetings	2,519	1,029	125	-
Miscellaneous	711	4,618	38	-
Expense transfers				
COA grants	24,121	13,644	-	-
Depreciation	39,388	122,377	-	-
Total expenses	135,822	525,554	37,363	-0-
Less ineligible expenses ⁽¹⁾				
Depreciation	(39,194)	(121,707)	-	-
Specialized Service Operating Assistance Agreements -				
2002-0050/Z8	(4,976)	-	-	-
2002-0050/Z10	-	(13,644)	-	-
2001-0880	(19,145)	-	-	-
Rural Transit Assistance Program	(2,287)	(713)	-	-
Total ineligible expenses	(65,602)	(136,064)	-0-	-0-
NET EXPENSES	\$ 70,220	\$ 389,490	\$ 37,363	\$ -0-
Less: Section 5311 reimbursements				
Net deficit eligible for State operating assistance reimbursement				
Maximum Section 5311 reimbursement (10.95%)	\$ 7,689		\$ 4,091	
(12.40%)		\$ 48,297		\$ -0-
Maximum State operating assistance (42.791519%)				
(38.437574%)				

⁽¹⁾ The City had expended more than \$500,000 in federal funds and was therefore subject to a single audit for the fiscal year ended June 30, 2004. As a result, the related audit costs were not deducted as an ineligible expense.

State Operating Assistance				Job Access	
City		Authority		City	
2002-0050/Z9 7/1/04 to 9/30/04	2002-0050/Z11 10/1/04 to 6/30/05	2002-0051/Z6 7/1/04 to 9/30/04	10/1/04 to 6/30/05	2001-0444/A2 7/1/04 to 9/30/04	2002-0050/Z6 10/1/04 to 6/30/05
\$ 35,326	\$ 197,807	\$ 19,023	\$ -	\$ 3,361	\$ 12,526
18,636	90,361	10,035	-	-	-
9,711	46,840	5,229	-	16,088	21,952
-	2,200	-	-	-	-
4,006	24,755	2,157	-	1,780	6,339
1,404	10,370	756	-	-	-
-	11,553	-	-	-	-
2,519	1,029	125	-	-	-
711	4,618	38	-	-	-
24,121	13,644	-	-	-	-
39,388	122,377	-	-	-	-
135,822	525,554	37,363	-0-	21,229	40,817
(39,194)	(121,707)	-	-	-	-
(4,976)	-	-	-	-	-
-	(13,644)	-	-	-	-
(19,145)	-	-	-	-	-
(2,287)	(713)	-	-	-	-
(65,602)	(136,064)	-0-	-0-	-0-	-0-
70,220	389,490	37,363	-	\$ 21,229	\$ 40,817
(17,605)	(48,297)	(9,883)	-		
\$ 52,615	\$ 341,193	\$ 27,480	\$ -0-		
\$ 22,515	\$ 131,146	\$ 11,759	\$ -0-		

City of Ionia
DIAL-A-RIDE TRANSIT FUND
SCHEDULE OF MILEAGE DATA (UNAUDITED)
Year Ended June 30, 2005

	<u>Public Transportation Mileage⁽¹⁾</u>
Demand response	
First quarter	29,179
Second quarter	36,930
Third quarter	41,271
Fourth quarter	<u>35,920</u>
Total operation	<u><u>143,300</u></u>

⁽¹⁾ The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

City of Ionia
DIAL-A-RIDE TRANSIT FUND

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2005

<u>Federal and State Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Restated Program Award Amount</u>	<u>Expenses</u>
FEDERAL				
<u>U.S. Department of Transportation</u>				
Passed through MDOT				
Federal Transit - Capital Investment Grants	20.500			
City Capital Grant - Section 5309		2002-0050/Z3	\$ 237,568	\$ 30,851
City Capital Grant - Section 5309		2002-0050/Z7	299,038	52,863
			<u>536,606</u>	<u>83,714</u>
Operating Assistance - Section 5311	20.509			
City FY 04-05		2002-0050/Z11	68,248	48,297
City FY 03-04		2002-0050/Z9	35,481	17,605
Authority FY 03-04		2002-0051/Z6	18,603	9,883
Rural Transit Assistance Program		N/A	<u>3,000</u>	<u>3,000</u>
			125,332	78,785
Capital Assistance Program for Elderly Persons and Persons with Disabilities - Section 5310	20.513	2001-0880	20,000	19,145
Jobs Access and Reverse Commute Grant - Section 3037	20.516			
City FY 03-04		2001-0444/A2	81,570	10,614
City FY 04-05		2002-0050/Z6	81,570	20,409
			<u>163,140</u>	<u>31,023</u>
TOTAL FEDERAL AWARDS			845,078	212,667

City of Ionia
DIAL-A-RIDE TRANSIT FUND

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - CONTINUED

Year Ended June 30, 2005

<u>Federal and State Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Restated Program Award Amount</u>	<u>Expenses</u>
STATE				
<u>Michigan Department of Transportation</u>				
Operating Assistance - Act 51	N/A			
City				
FY 03-04		N/A	\$ 34,475	\$ 34,475
FY 04-05		N/A	158,670	158,670
Authority				
FY 03-04		N/A	<u>18,980</u>	<u>18,980</u>
			212,125	212,125
Specialized Service Operating Assistance	N/A			
FY 03-04		2002-0050/Z8	19,908	4,976
FY 04-05		2002-0050/Z10	<u>18,193</u>	<u>13,644</u>
			38,101	18,620
Jobs Access and Reverse Commute				
Grant - Section 3037	N/A			
City FY 03-04		2001-0444/A2	81,570	10,615
City FY 04-05		2002-0050/Z6	<u>81,570</u>	<u>20,408</u>
			163,140	31,023
Capital Grant - Section 5309	N/A			
City				
FY 03-04		2002-0050/Z3	237,568	7,713
FY 03-04		2002-0050/Z7	<u>299,038</u>	<u>13,216</u>
			<u>536,606</u>	<u>20,929</u>
TOTAL STATE AWARDS			<u>949,972</u>	<u>282,697</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 1,795,050</u>	<u>\$ 495,364</u>